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**FISCAL IMPACT STATEMENT**

**LS 7237**

**BILL NUMBER:** HB 1581

**NOTE PREPARED:** Jan 10, 2005

**BILL AMENDED:**

**SUBJECT:** School Breakfast Program.

**FIRST AUTHOR:** Rep. Day

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:** X GENERAL  
DEDICATED  
X FEDERAL

**IMPACT:** State & Local

**Summary of Legislation:** The bill requires a school corporation to implement a breakfast program at a school building if at least 15% (rather than 25%) of the students enrolled at that school building during the prior school year qualified for free or reduced price lunches under federal guidelines.

**Effective Date:** July 1, 2004.

**Explanation of State Expenditures:** *Summary:* Under current law, a school building that has 25% of enrollment in the free or reduced price school lunch program is required to implement a school breakfast program. Under current law, the Department of Education is required to implement and process all applications for a school corporation to the federal government for school breakfast reimbursement. It is likely the Department would require additional administrative time to implement potential new programs under the bill.

*Background:* As of September 7, 2004, the Department of Education had 263 full-time staff members. For FY 2005, the Department has 272 budgeted full-time positions, 10 budgeted temporary positions, and 36 budgeted intermittent positions. The Department reverted \$4.3 M to the state General Fund in FY 2004.

**Explanation of State Revenues:**

**Explanation of Local Expenditures:** *Summary:* In school year 2003-2004, approximately 1,229 school buildings that participated in the federal free or reduced price lunch program had a joint participation rate of 25% of their enrollment. Under the proposed bill, the 1,229 school buildings would grow to approximately 1,577 schools, or a net gain of 348 school buildings, under the 15% or greater participation rate. Unless the

additional 348 school buildings have already established a school breakfast program, they would be required to do so under the bill.

The federal government reimburses school lunch and breakfast programs at the cost to provide the meals to students.

*Background Information:* According to Department of Education statistics, 1,542 school buildings and school corporation-designated sites participated in the school breakfast program as of January 4, 2005. The percentage of active participating buildings is approximately 81.5%.

If it were assumed that no buildings currently participate in a school breakfast program at or under the 15% threshold, as proposed in the bill, the maximum number of students that could be eligible for the free or reduced school breakfast program under the proposed bill would be approximately 41,500 (28,500 free + 13,000 reduced price).

However, if it were assumed that the actual participation rate for school breakfast programs was 19.5%, the percentage could be applied to the above student estimates and reduce the number to approximately 7,900 additional breakfasts (5,600 free + 2,300 reduced price).

The federal government reimburses school lunch and breakfast programs at the cost to provide the meals to students. Current rates of reimbursement (July 1, 2004, to June 30, 2005) for the school breakfast program from the federal government are as follows.

School Breakfast Program	(Non-Severe Need)	(Severe Need)
Paid	\$0.23	\$0.23
Reduced Price	\$0.93	\$1.17
Free	\$1.23	\$1.47

If all 41,500 potentially eligible students were in fact offered either a free or reduced price breakfast, under the bill, the estimates on the cost to provide breakfasts for one school year (180 days instruction time) are provided below. The following table illustrates the **federal** impact to reimburse the additional breakfasts at the non-severe need level.

School Breakfast Program	Estimate with 41,500 students at 15% threshold	19.5% Estimate with 7,900 students at 15% threshold
Reduced Price	$\$0.93 * 13,000 * 180 = \$2.2 \text{ M}$	$\$0.93 * 2,300 * 180 = \$0.4 \text{ M}$
Free	$\$1.23 * 28,500 * 180 = \$6.3 \text{ M}$	$\$1.23 * 5,600 * 180 = \$1.2 \text{ M}$
Total Estimate	$\$2.2 \text{ M} + \$6.3 \text{ M} = \$8.5 \text{ M}$	$\$0.4 \text{ M} + \$1.2 \text{ M} = \$1.6 \text{ M}$
*Note: Totals may not add precisely due to rounding.		

*Secondary Impact:* The above estimates assume the reimbursement would cover the cost of the additional breakfasts. However, schools that currently do not have a breakfast program that do have a free lunch

participation rate of 15% could have costs for additional food preparation staff and materials, staff to supervise students, and additional transportation costs to adjust bus schedules to bring free or reduced price students to school earlier than other students to receive their breakfasts.

**Explanation of Local Revenues:** Schools would be able to apply for reimbursement via the Department of Education for the cost to provide the breakfasts at the federal reimbursement rate.

**State Agencies Affected:** Department of Education.

**Local Agencies Affected:** School corporations.

**Information Sources:** Department of Education: Mike Gill, Director School and Community Nutrition Programs, John Todd, School and Community Nutrition Programs; SAS and ORACLE DATABASES, [www.doe.state.in.us/food/schoolnutrition/04-05reimbrates.html](http://www.doe.state.in.us/food/schoolnutrition/04-05reimbrates.html); State of Indiana *HRM Detail Staffing Report* 9/07/2004; Indiana State Budget Agency: BUDSTARS, Close-out summary FY 2004.

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